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FARMERS' NEWSLETTER

Feed Grains



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July 79/F-10
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Prices Look Good

Even with stocks at their highest level ever for this time of year and crop prospects good, feed grain prices are holding up well.

In fact, prices began strengthening in May and trended generally upward since. How long will the strength hold? Quite possibly through the next marketing year.

Prices have done well in the face of large supplies, thanks in part to expanded livestock and poultry feeding and large export sales.

Farmers will feed roughly 133 million metric tons to livestock and poultry in 1978/79, 13 percent more than last season. And exports, at nearly 60 million tons, will top the 1977/78 record by about 6 percent.

While these gains are impressive, the outlook for the year ahead may have even more bearing on current prices. The outlook is for continued heavy livestock feeding and even larger exports in 1979/80.

Indications are that this current and prospective demand, particularly from foreign buyers, will cut grain stocks substantially by the end of

the 1979/80 marketing year--even with large harvests this year. This would further strengthen prices.

When To Sell?

The prospect for continued good prices will pose a number of questions as you begin planning how to market your 1979 crops and any other grain you now hold. Would it pay to:

- Lock in a price on part of your crops now by forward contracting or hedging on the futures market?
- Get a loan at harvesttime to cover your outlays and let you delay selling until after harvest to avoid any possible sag in prices when new crops first hit the market?
- Adjust your feeding operations if you own livestock?

The answers won't come easy, but you'll want to stay up to date on the following pricemaking developments.

Signs To Watch

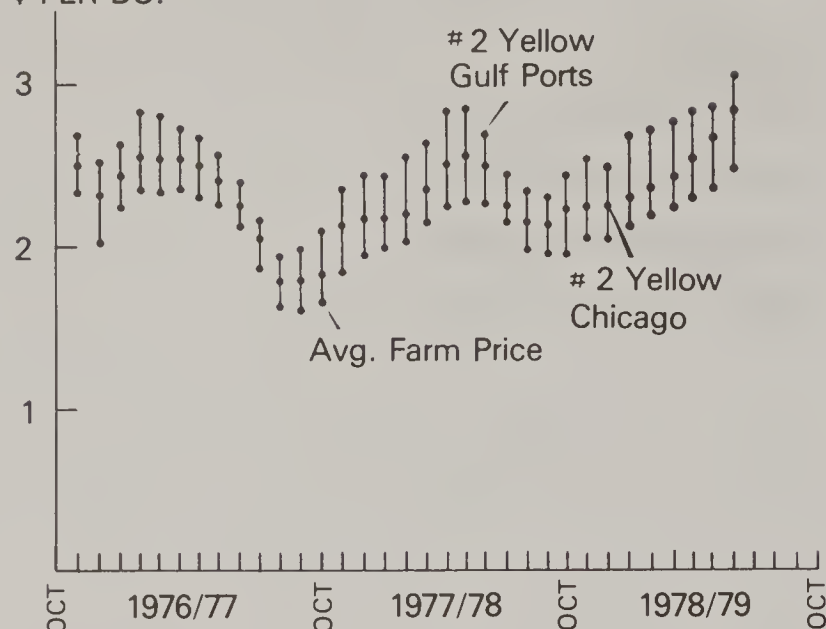
- World crop prospects. Keep track of trends indicated by weather reports for U.S. and other major grain growing areas. Poor weather in the USSR and Eastern Europe during April and May delayed plantings. Hot, dry weather in June reduced crop prospects for winter grains. The USSR grain crops will be substantially smaller than last year's record. This will sharply

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CORN PRICES STRENGTHEN

\$ PER BU.



increase the Soviets' grain import requirements.

USDA issued its new World Crop Production report on July 11, which indicated that world coarse grain production could be down 5 percent in 1979/80, due largely to expected lower yields in the United States, Western Europe, and the Soviet Union. This new report will be issued on the same dates as Crop Production, the monthly report on U.S. crops.

- U.S. crop prospects. USDA released its first forecast for 1979 feed grain crops--except sorghum--on July 11, based on conditions around July 1.

It placed the corn crop at 6.66 billion bushels, only 6 percent below last year's record. Chances are about 2 out of 3 that the harvest will not differ from the July estimate by more than about 533 million bushels.

The combined forecast for corn, oats, and barley totaled 184 million metric tons, 7 percent below last year's output.

Bear in mind that these are early season estimates and that weather conditions and other factors, like insects and disease, could sharply

alter the final outcome. This is particularly true for corn, which is harvested later than oats or barley.

The August Crop Production report will update prospects for corn, oats, and barley, and include the season's first forecast of sorghum production. It will be issued August 10.

- Redemption from corn and sorghum reserves. Farmers probably will put much of the redeemed grain on the market. That will increase supplies and put some downward pressure on prices.

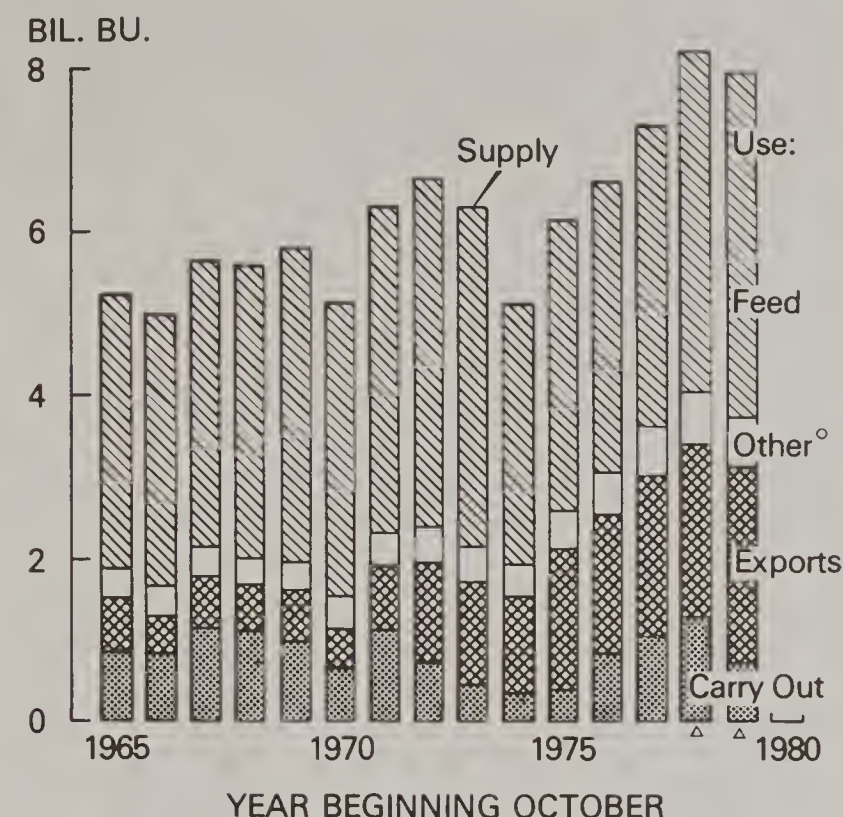
But at the same time, grain sold usually goes into domestic use or exports, thereby reducing stocks. Of the 732 million bushels of corn in the reserve when it was released, 69.9 million bushels--9.5 percent--had been redeemed by July 20.

- Export sales. In 1978/79, exports will account for more than a fourth of total U.S. feed grain use. They will increase again next year, because of crop shortfalls in some other countries. Changes in the world's export market have a strong bearing on U.S. prices.

- Livestock and poultry feeding. This year, domestic feeding will make up nearly three-fifths of total feed grain use. Changes in feeding operations affect prices of both livestock products and grains.

- Grain stocks. The next Grain Stocks report will be issued on October 23 and will indicate holdings of old-crop feed grains, plus stocks of 1979-crop oats and barley. This will show you how much grain there is in the country on October 1. This, plus the 1979 crops of corn and sorghum to be harvested--and imports, which always are very small--make up the total feed grain supply for the year ahead.

CORN SUPPLIES TO TIGHTEN



FIGURES FOR 1978/79 AND 1979/80 ARE ESTIMATES AND FORECASTS AS OF MID-JULY. °INCLUDES CORN USED FOR FOOD, SEED, AND INDUSTRY.

Feeding Levels To Remain About The Same

Rising feed grain prices can force livestock and poultry producers into a cost/price squeeze unless slaughter prices increase enough to offset added costs.

This fall, hog and broiler prices probably will weaken as prices decline seasonally. Production will exceed year-ago levels. Also, higher feeder cattle prices, caused by reduced supplies and competition for heifers for herd rebuilding, will tend to limit cattle feeding.

On the demand side, so far this year, rising consumer incomes have spurred demand for meats and raised retail prices. But with the current outlook for recession and rising unemployment, it's doubtful that consumer incomes will be the source of as much strength in meat prices in the year ahead.

These factors--strong feed grain prices, weaker slaughter animal prices, and reduced consumer demand--

are expected to dampen further expansion in feeding. Even so, feeding levels in 1979/80 probably will stay near this year's large 133 million metric tons.

Remember too, that livestock and poultry feeders must consider a variety of factors relating to their individual situations, and some may find prospects favorable for further expansion.

Hold or Sell Grain from the Reserve?

You'll want to decide what to do with corn and sorghum you may hold in the farmer-owned reserve. Your view of whether prices will continue rising will influence your decision to sell or hold.

Prices have risen enough--to 125 percent of the national average loan rates--to trigger the release from the reserve of all feed grains--corn, sorghum, oats, and barley.

When the release level is reached, farmers may repay their CCC price support loans on grain held in the reserve and redeem or sell it without penalty. But they are not required to do so.

FEED GRAIN STOCKS TO FALL

	1978/79 ¹	1979/80	
		Projected	Range ²
Million metric tons			
Beginning stocks	41.2	46.8	
Production	217.3	202.1	± 17.0
Imports	0.3	0.2	
Supply, total	258.8	249.1	
Feed	132.7	132.5	± 9.0
Food, seed, and industrial uses	19.7	20.2	
Domestic use	152.4	152.7	± 9.0
Exports	59.6	69.7	± 5.0
Use, total	212.0	222.4	± 12.0
Ending stocks	46.8	26.7	± 8.0

¹ Estimated. ² Chances are about 2 out of 3 that the outcome will fall within the indicated range.

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USDA reviews prices in each State at the end of the month following release. In States where the average price stays above the release level, the release status continues and storage payments stop.

Prices of oats and barley already have reached levels that call these grains from the reserve--140 percent of the national average loan rates. When a grain is called, farmers must repay their loans within 30 days or forfeit the grain to the CCC.

Farmers do not have to sell their grain when it's called, but many do so in order to pay off their loans.

If there's not enough commercial storage or adequate transportation in an area, farmers there may qualify for a 30-day extension for paying off loans or delivering farm-stored reserve grain to the CCC.

Determination of transportation and storage problems is made on a county-by-county basis every 30 days before any delivery notice is issued.

Remember that extensions do not apply to reserve grain stored in commercial facilities.

Your ASCS county office will notify you of the date when you must repay your loan to redeem your grain from the reserve.

For an update on the latest crop, livestock, and farm economic information, call the toll free FARMERS' NEWSLINE. It's available 'round the clock, 7 days a week. Just dial

800-424-7964

FARMERS' NEWSLINE reports change each weekday at 4:00 p.m., Washington, D.C. time.

Watch for these features scheduled through August:

Aug. 10,11,12	Crop Prospects
Aug. 13	Crop Supply and Demand
Aug. 14	Cattle on Feed
Aug. 15	Cattle on Feed Analysis
Aug. 21	Crops and Weather
Aug. 24,25,26	Feed Grain Situation

(Features are subject to change. In some areas, it may be necessary to dial 1-800-424-7964.)
